



READ YOUR PAPER BACKWARD

By GARET GARRETT

ON THE FRONT PAGE of your newspaper the world keeps going to hell. On the second page the Air Force says the Russians are overtaking us in the air. On the third is what we must do to stop the recession. On the fourth unemployment is rising. On the fifth are bedside reports from the sick and ailing industries, such as coal, agriculture, motors, steel and textiles, and so on, until you have skipped the editorial page and the news of sports and come to the Wall Street page. There you see that the stock market goes on rising week after week no matter what else happens; and rising not from a low level, as if all the bad news had been discounted, but from a boom level already the highest in our statistical annals, as if there had never been any bad news at all.

So at last a reasonable man may say, "If the stock market is not lying we are all crazy," and thereafter he will save his digestion by reading the paper backward.

What is the stock market saying?

It is saying that a boom can be made perpetual, even a postwar boom that has already exceeded anything of the kind that ever happened before, in this country or any other. During the life of it, our wealth has increased in a prodigious manner, so that we have been able to give \$60 billion of it away to foreign countries since the end of World War II without affecting our steadily rising standard of living.

This, the stock market says, can go on and on. The government can guarantee it, and will be obliged to guarantee it because first, people will demand it; and because secondly, deflation would be a ruinous political fact. You need not worry about certain signs of recession. They mean only that there is a temporary want of purchasing power in the hands of the people. It is a situation that can hardly be expected to cure itself; but the government can cure it by providing people with more buying power.

WHAT THE STOCK MARKET is saying is popular. It is what people want to believe. Moreover, it introduces an exciting new dimension of thought. Until now the highest achievement considered possible for a planned economy was a state of equilibrium — that is, to manipulate money and credit and deficit spending by the government with such wisdom and foresight as to eliminate both boom and bust. Now the idea is to keep the boom and cast out only the wicked bust.

If the stock market is right, all economic history is absurd. If it is wrong, then the delusion is comparable only to that of the New Era in the late 1920's. The delusion then was that the American economy had been made panic proof. Never again would it run out of money. There was no rational reason why the ecstasy of great profit should not endure forever. What followed takes the historical name of the Great Depression.

Well, that was that. The New Era had not thought itself through. But the new formula is so brief and simple that anyone can understand it. To make a boom perpetual it is

necessary only to keep enough buying power in the hands of the people. If at any time it seems to be not enough, then increase it. If the people have enough buying power they will sweep the market bare of goods, industry will return to full production and there will be full employment again; and if after a while demand falls off and unsold goods begin to pile up, you have only to do it again, because it is always for want of buying power in the hands of the people that demand falls away and goods pile up on the counters.

But how do you increase the people's buying power? Ah, there lies the magic. It is all in how you do it.

Let the problem be what the labor economists say it is. "Right now," says the Executive Council of the American Federation of Labor, "we are long on the ability to produce and short on ability to buy." Hence the rise of unemployment and the signs of recession.

The classic medicine for that kind of economic malaise was well known. With unsold goods piling up and demand falling away, the first thought of the manufacturer was to get his labor costs down in order to be able to reduce his selling prices. The least efficient wage earners were dismissed, the rest worked harder and maybe longer hours and the new methods and new machines were introduced whereby five men were able to do the work ten men did before. Having got his costs down, the manufacturer then himself increased the people's buying power by the simple act of reducing prices to the consumer. The consumer's dollar bought more than it bought before. It always worked.

But for a social-minded and planned economy that is now forbidden medicine. The objections to it are mainly two. First, as prices to the consumer are reduced the general price structure begins to collapse and when that happens your boom is bust. Secondly, the benefits at first are not uniformly distributed, because while the buying power of the consumer's dollar may be rising the national payroll may at the same time be shrinking, because with greater industrial efficiency goods now are being produced with less labor.

How to increase the people's buying power without deflating the price structure, for that would hurt the boom, and how at the same time to maintain full employment at high wages — there is the problem.

The labor economists say they have the answer. They are upheld in principle by the Washington economists and by a very large school of new economic thought on the side of a planned economy.

As signs of recession appear and as unemployment begins to rise, the first thing of all to do is to expand production to the utmost, not primarily because people need more things but because there must be more jobs. The Executive Council of the American Federation says: "In order to re-establish a full employment economy, in the first quarter of 1955 national output would have to rise ten per cent over the output for the first quarter of 1954."

Statistically true.

But who will buy that increased output? Can it be sold? The Executive Council of the American Federation of Labor goes on to say: "Substantial increases in both personal consumption and investment are necessary to bring full prosperity . . . The buying power of the consumer must be raised."

Yet how?

Well, once there is full employment again, then higher wages "attained through collective bargaining must provide the main leverage to increase mass buying power."

That takes care of organized labor and its own buying power and leaves out the lower paid unorganized workers. For these Congress should pass a law increasing the minimum national wage to \$1.25 an hour.

BUT EVEN IF LABOR, with full employment and higher wages, could itself consume an annual increase of ten per cent of the national output of goods, which is very doubtful, no such maldistribution of fat would be socially plausible.

This the labor economist answers by saying that everybody's buying power must be raised, along with that of the wage earner's, and to do that is the government's part. Under the Employment Act of 1946 the government is directed to use its resources to promote maximum employment, production and purchasing power. Over that is Mr. Eisenhower's pre-election pledge: "At the first sign of any approaching recession in this country, there would be instantly mobilized, under the finest professional, business, labor and other leaders that we have, every resource of private industry, of local government, of state government and of Federal government, to see that never again shall depression come to us."

The leaders of labor did not wait to be called. They mobilized their own economists to stand watch and cry alarm at the first sign of approaching recession. When unemployment began to rise they formulated a demand that the government take steps to provide the people with more buying power, according to the Eisenhower pledge and according to the law, and to do it in time, lest the signs of recession become the portents of depression.

What could the government do?

First of all, it could stop trying to balance the budget and think instead of a balanced economy and a program of "full prosperity." It could cheapen credit and make money plentiful. It could provide more social security and increase unemployment compensation. It could guarantee more private debt to support the building boom. It could give help to distressed areas and go much farther to abolish rural poverty. It could be ready with a great portfolio of public works. It could reduce taxes, especially for the people of low incomes. What less could Mr. Eisenhower have meant by every resource of government for intervention at the first sign of approaching recession? And then at last, if everything else should fail, or be not enough, it could increase defense expenditures in multiple billions.

Enumeration of the powers of intervention that may be exercised by government is unnecessary, really. One word covers them all. The word is inflation.

As the government disburses more billions the buying power of the people may seem to be increased. This effect, however, will be illusory and self-devouring unless at the same time the buying power of the dollar is increased — and that is a very different thing. If

inflation designed to increase the people's buying power causes the boom to go on, then the buying power of the dollar will not increase; it will surely fall, because prices and wages will rise and the dollar will buy less and less until in a little while the illusory increase in the people's buying power will be all used up. Then the unsold goods will begin to pile up again; and the only answer there can be to that is more inflation. That could go on perhaps for a long time with 40-cent dollars, then 30-cent dollars, then 20-cent dollars.

The alternative would be deflation. But apparently a great majority of people have been conditioned to believe that deflation would be the supreme disaster.

THE GOVERNMENT IS SPENDING billions to support prices — especially agricultural and raw material prices. How could it face deflation without confessing defeat? Labor is defending the highest wage structure that ever existed in this economic world. What would deflation do to that? Nor can business face deflation; witness its feud with the price-cutters who flout the fair trade law that was enacted by Congress to support retail prices, or the motor industry's rage when discount houses bootleg new automobiles and sell them at secondhand car prices, thereby becoming outlaws. The farmer as a political fact cannot be cut off from the public purse, out of which he is paid for his inflationary surplus production. And you have only to look again at the stock market to realize that Wall Street thinks deflation is forbidden.

All of these, and their sympathetic economists, are in substantial agreement on these points, namely:

- 1) The economy cannot stand deflation.
- 2) The idea that deflation is necessary is a silly superstition.
- 3) In any case, the government has assumed an unlimited responsibility to see that it does not happen.

It follows implicitly that they all agree to revise the old Wall Street adage, which was: "What goes up must come down." The new version is: "What goes up shall go higher."

Certainly a boom that has been nourished from infancy on the raw meat of inflation cannot be weaned on a vegetable diet of redeemable currency and a balanced budget without a spell of terrible sickness. Sooner would people face the contingency of war than the immediacy of deflation. War may be tomorrow; deflation would be today.

The greatest bull market of all time has no bombproof shelter. Either Wall Street thinks it does not need one or that World War III would be really inflationary, and keep the presses of the Federal Bureau of Printing and Engraving running night and day.

If you take the stock market's word for it, the least you can expect is that Congress will pass a law against deflation, on the ground that it would be contrary to public policy. It might work for a while if everybody thought it would. That would be your part — to think it would.

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What Price UN: In the past 48 hours, Capitol Hill for the first time got a vivid illustration how the United Nations can interfere in a matter vital to our security and right on our own doorstep.

While the Guatemalan revolt against a pro-Communist government flared last Sunday, the UN Security Council meeting in the city of New York took up the business and enabled the Soviet Union to do two things:

(1) Russia vetoed a proposal to refer the Guatemalan matter to the Organization of American States, the body that best represents the 21 republics of North and South America. This group was expected to move together to prevent creation of a real Soviet satellite in this hemisphere. Anyway, it's a regional body that could better handle the Guatemalan problem than the global UN.

(2) The Security Council called for cessation of hostilities in the banana republic and the withholding of aid to either side by UN members. The U.S. delegate, former Senator Henry Cabot Lodge, joined in this resolution.

Now every American — save the internationalist intellectuals — will agree that we have an interest in the rebels ousting the pro-Communist Guatemalans. Therefore the UN resolution runs counter to our sentiments and national interest.

Reaction on Capitol Hill, we find, is rising against the UN action. Representative Lawrence Smith (Wisconsin), high member of the Foreign Relations Committee of the House told us: "It goes to show how we are hamstrung in the UN when we try to preserve peace in the hemisphere, and by Moscow, although Russia is thousands of miles away. We have a paramount interest in what goes on in Guatemala. The whole matter should vividly bring home to Americans what the UN can do to our national security in a case right on our very threshold."

Not Merely Gossip: Along diplomatic row, many believe the numerous rumors that Secretary of State Dulles will soon resign and be replaced by Governor Dewey. Dulles, it is said, is disgusted because the White House has thrown cold water publicly on his plan for intervention in Indo-China — after he "went way out on the end of the limb" for it. Whether such a shift involving Dewey is certain or not, observers believe that "something is afoot," along this line, in high quarters.

● The sudden collapse of the "Joe Must Go" movement to recall Sen. McCarthy in Wisconsin (headed by the small town Editor Gore) turns out to be more than a debacle — it's a literal rout. Editor Gore skipped across the state line into Illinois, and Wisconsin state authorities claim that the number of signers to Gore's recall petition actually amounted to less than 50,000 instead of the 350,000 claimed.

● Highly placed Republicans in New Jersey have started a movement to get Clifford P. Case out as the GOP's candidate for the U.S. Senate. This is, in part, the result of the Hoffman scandal. But it is substantially — as observers tell us — because of the opposition within the party to Case's "liberal" record. Case has been endorsed by the socialistic ADA. The Newark *Star-Ledger* on June 20 said that "many from the conservative wing of the party will work actively against Case in his campaign." It is believed that about 50,000 conservative Republicans in New Jersey will vote against

Case. This situation sparked the movement to get another GOP candidate to run in his place. Washington cocks its ear at this and notes also that this kind of movement is not confined to New Jersey. It is reported that a similar development is under way in Pennsylvania's 6th District among conservatives there to vote against "liberal" Hugh Scott, incumbent Representative.

Maryland: Lieutenant General P. A. del Valle, USMC (Ret.) who is running for the Republican gubernatorial nomination in the "Free State" against the "liberal" incumbent Gov. T. R. McKeldin has some striking proposals in regard to civil defense. He believes that the idea of evacuating large cities on short notice is hopelessly impractical, and would lead to chaos. He cites his own experiences on the time required to move organized military formations to support his argument. He offered other projects, advocating a state law to outlaw the Communist Party in Maryland. He promises, if elected, to explore the legality of banning all Communist ships from Baltimore harbor in order to preclude the dropping of atomic time bombs by such ships.

Gen. del Valle, as a conservative, has been accorded the expected blackout by the dominant, "liberal" Sunpapers of Baltimore, but has campaigned over radio station WCBM, Baltimore.

For Free Enterprise: President Eisenhower's directive to the AEC to negotiate a contract with a private utility group to supply power to the Tennessee Valley Authority has incensed left-wingers. To them TVA is the sacred symbol of the socialism to be in America and TVA should produce all the power needed in its region.

Representative Chet Holifield (D., Cal.) expressing left wing tactics, objected that the privately built plant would cost the government "at least \$90,000,000 more than the cost of equivalent power" produced by TVA. Private power experts immediately pointed out the errors in the Congressman's claim.

TVA's cheaper power rates are phony because TVA avoids an overwhelming part of the tax burden (Federal, state and local) that private utilities have to shoulder and avoids paying any reasonable return on the hundreds of millions it has obtained from taxpayers of the nation. Thus cheap TVA power rates have been possible only by forcing taxpayers in all the states to pay more in taxes than they would have had to pay if TVA had been operated on a sound business basis — furnishing TVA its capital for free and making up for the taxes which TVA should have paid but didn't.

Recently the Arkansas Light and Power Company studied TVA rates. Last year TVA reported a profit of \$19,000,000 on its power business. The study shows that if TVA had been taxed on the same basis as five private utilities operating in Tennessee, if it had provided for a forty year amortization of taxpayer's capital, and had paid even a minimum government rate of 3% (private companies pay 6%) on its admitted power investment, instead of making a sound profit of \$19,000,000 it would have actually lost over \$91,000,000. But this is a loss covered up by dodging taxes and paying nothing on its huge capital investment.

A generation of hydroelectric power by TVA has now reached its maximum possible development. Further power expansion in the Tennessee Valley must come from steam plants. TVA socialists want the Authority to build them. Free enterprise advocates feel it is time to call a halt on the mirage of cheap TVA power — that private interests should not only build all steam plants in the future but that TVA rates should be upped to make TVA pay its fair share of taxes and at least a low government rate on its power investment.

Congressman Holifield is right — the electricity produced by a privately built plant will cost more. But four overriding advantages justify the higher cost: (1) the private plant (costing over \$100,000,000) will not cost taxpayers a dime; (2) the private plant will contribute each year a very sizable sum in taxes; (3) the higher rates will be paid for by the actual users of the electricity (as it should be) — rather than cheaper TVA rates subsidized by taxpayers in 48 states; and (4) a definite curbing of TVA's deceptive economic structure will be established — pointing the way to its ultimate complete elimination.

Panama Canal: The recent disastrous slide at the Panama Canal emphasizes the dangers of too much military bureaucracy. For a number of years the Governor of this vital area has been a military figure — usually a General from the Army Engineers. The astounding fact is that as far back as 1938 cracks were observed in the facings to the Canal and experts then predicted that unless they were taken care of a slide was practically certain. A decade later General J. C. Mehaffey of the Army Engineers then serving as Governor of the Panama Canal Zone made one of the few reports on the Canal. His report made no mention of those dangerous cracks which today have materialized in a landslide so critical that some experts fear it may yet block the whole canal. Thus for some seventeen years a military bureaucracy in the Canal Zone has apparently done nothing to avert this disaster which was warned against as far back as 1938.

During this period another example of inefficiency occurred which has been too little known. Under the administration of Major General Glenn E. Edgerton, the “third locks” project was started. This project had been drawn up under the preceding administration in which General Edgerton was, in effect, chief assistant to the Governor. After scooping out a tremendous cut the project was finally suspended after some seventy-five millions had been poured out. This uncompleted project is derisively referred to as the “third locks blunder.” Back of it was an ambitious plan to convert the Canal into a “sea-going waterway.” The ultimate cost of doing this would run into many billions. For several years Congressman Thomas Martin (R., Iowa) has sponsored a bill which if passed would probably result in making the existing Canal thoroughly efficient at a cost of less than \$750,000,000 — but business interests with their eyes on the lush contracts that would result from a sea level canal are still striving to put over this big boondoggle on the taxpayer.

Major General Edgerton is now serving as Managing Director of the Export-Import Bank.

More On The UN: An article on the United Nations by the noted international lawyer, Dr. R. J. C. Dorsey, which appeared recently in *Stars and Stripes*, focuses attention on several UN developments which may be classified as “startling.” Dorsey points out that there is now before the UN Assembly a plan called SUNFED (Special United Nations Fund for Economic Development). The plan was evolved by a committee of nine appointed by the Secretary-General of the UN.

The proposed organization is to provide still more money for backward areas of the world. It would derive its capital from each nation “according to its ability to pay, but would give to each nation according to its need.” This formula is taken directly from the writings of Karl Marx and is embedded in the Soviet Constitution. The U.S., says Dorsey, would naturally pay the largest amount. The fund “must not attempt to recover any principal or charge any interest. Money is to be extended on an outright ‘gift basis’.”

Collateral to the above plan to wheedle more money from American taxpayers is a proposal that each member nation of the UN impose a postal tax to raise a total of at least three millions each year. This money is to be raised through a surcharge of 10% or 20% on each stamp sold in all countries during a certain part of each year.

Dr. Dorsey emphasizes the great danger of the stamp program — a “get-the-camel’s-nose-in-the-tent” maneuver. If adopted, it would serve as an entering wedge to permit the UN to raise revenue by directly taxing the American people — an idea which Dorsey declares is one of the fondest ambitions of the UN planners.

The warning of this noted lawyer is that the U.S. should get out of the UN. By staying in the UN, he says, the nation can only expect to be the objective of persistent plots to make us divide up our wealth with the world and eventually abdicate our sovereignty to the internationalist exploiters.

Hands Off Investigations: The attempt by the Executive to muzzle congressional probes by withholding files looms more important week by week (See HUMAN EVENTS, “The Big Issue,” June 2,

and "Toward Despotism" by Willis J. Ballinger, June 9). Very illuminating in considering this issue is what William Chamberlain writes to the *Commercial and Financial Chronicle* on March 25, 1954. Chamberlain, a constitutional lawyer, writes that the "continuing constitutional duties of Congress . . . demand that it keep itself fully informed respecting the conduct and practices of the agencies it has created and for the continued existence of which it alone is responsible. That duty it owes to the people who must live under these agencies and submit to their dictates and decisions. It has neither the constitutional nor moral right of abdication nor neglect in its performance. Once Congress abdicates this power or is negligent in its exercise we may expect our rights and liberties to be swiftly shorn from us. The history of mankind makes it clear that it is not by elective parliaments that human liberty is destroyed but by ambitious executives and bureaucrats who either overthrow the parliaments by force or win their supine subservience by corruption or guile."

Lewis: Millions of listeners last week rejoiced to hear that Fulton Lewis, Jr., "crusading conservative of the air," won a great victory when a Maryland court dismissed criminal libel indictments against him. The litigation arose as a result of Lewis' exposure of a gambling and vice ring which operated literally in his own back yard (Lewis lives in Maryland). Only those familiar with the grinding pace of a daily news commentator can understand the sacrifice he made in turning from his interpretation of national affairs to the crying need of purging his own community of vice and crime. This Lewis saga — although it may not interest many of his listeners in distant parts of the country — will stand out, among all those who cherish a free press, as an outstanding achievement in journalistic courage and determination.

Between Covers: Smart political observers know full well that whatever the tides of battle in the McCarthy hearings, whatever the verdict on the fabulous "altered photo" of Stevens and Schine, whatever the decision on "improper influence" for an officer's commission — the stark fact is that the Muscovite Fifth Column in America has been and is all out to "get" McCarthy and is utilizing the most deceptive tools to accomplish such a job. No writer has performed a better task in interpreting the confusing details of the affair in terms of this basic reality than Joseph Z. Kornfeder in a brand new pamphlet entitled "Brainwashing and Senator McCarthy" (published by The Alliance, Inc., 400 E. 9th St., New York 9, N. Y., price 1-to-10 copies, \$.25).

Kornfeder, who has appeared often before congressional committees as an expert on subversives, was once described by Ben Gitlow as the "American Communist who knows Stalin better than any other." Trained in the twenties in Moscow in its Marxist and Comintern schools, Kornfeder went through a period of disillusionment with Communism and for many years has been a full-fledged anti-Communist. But in Moscow and over many subsequent years of study, the author acquired a minute knowledge of the machinery which the Kremlin uses in Western democratic countries to divide and confuse the people. How this machinery began to work when McCarthy first appeared in 1950 and the manner in which Moscow's agents here took advantage of the "contradictions of capitalist society" (to use Lenin's phrase) transforms, for the reader, the unending phantasmagoria of TV into a clear, understandable story of master intrigue and psychological warfare, Russian version. Kornfeder's delineation of the role of press and radio is devastating. "I can predict," he says, "that if a thorough investigation is ever made of the news field, either by the FCC or Congress, there will be many red faces among the owners and managers of these enterprises."

Tracing the poison from its center in the Communist Party, then through the "fellow travellers," then "liberals," then innocent dupes, in press and radio, the author concludes: "No one can be in any doubt where the smear 'orchestration' against McCarthy came from."

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